

**CLARKSVILLE-MONTGOMERY COUNTY**  
**REGIONAL AIRPORT AUTHORITY**  
**AUDITED FINANCIAL STATEMENTS**  
**AND OTHER INFORMATION**  
**JUNE 30, 2015**

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# THURMAN CAMPBELL GROUP, PLC

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Clarksville-Montgomery County Regional Airport Authority  
Clarksville, Tennessee

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee as described in the Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Authority, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's basic financial statements. The directory of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Comptroller of the Treasury, State of Tennessee as detailed in the Audit Manual, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The directory of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2015, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

***Thurman Campbell Group, PLC***

Clarksville, Tennessee  
October 31, 2015

## CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following Management's Discussion and Analysis (MD&A) of the Clarksville-Montgomery County Regional Airport Authority's (Authority) financial performance provides an introduction to the financial statements for the year ended June 30, 2015. The information contained in this MD&A should be used in conjunction with the information contained in the Authority's financial statements for the period.

### Background

In 1997 the Clarksville Airport Joint Committee (CAJC) approached the mayors of the City of Clarksville and Montgomery County with the idea of creating a regional airport authority. Subsequently, both municipalities passed resolutions authorizing the Clarksville-Montgomery County Regional Airport Authority (CMCRAA) and provided it with all the rights, privileges, and authority of the CAJC. The CMCRAA then petitioned the State of Tennessee and received its state charter.

In 1998, the Authority purchased a mobile home park adjacent to the airport; however, they decided to cease operations and decommission the park in the first quarter of the fiscal year ending June 30, 2010.

In 2012, the Authority completed construction on a new Terminal and Business Center.

### Financial Highlights

The assets of the Authority exceeded its liabilities at June 30, 2015 by \$11,806,358 (net position).

The net position of the Authority increased by \$1,024,365 for the year ended June 30, 2015. This is due to the increase in capital grant money in the current fiscal year for the apron rehabilitation project.

### Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The fiscal year accounting period runs from July 1 to June 30.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The Statement of Net Position shows all assets of the Authority less liabilities. Buildings and properties are recorded at cost. Over time, increases or decreases in net position will serve as a useful indicator of the Authority's financial position.

**CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Airport Authority's *Statements of Net Position* are presented in Table 1. The Airport Authority's current assets increased from \$528,582 to \$1,742,138 and total liabilities increased from \$510,466 to \$1,812,956 in 2015.

<b>Table 1</b>				
<b>Clarksville-Montgomery County Regional Airport Authority Condensed Statement of Net Position June 30, 2015 and 2014</b>				
<b>ASSETS</b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Current Assets	\$ 1,742,138	\$ 528,582	\$ 1,213,556	229.6%
Capital Assets, net	<u>11,877,176</u>	<u>10,763,877</u>	<u>1,113,299</u>	<u>10.3%</u>
Total Assets	<u>\$ 13,619,314</u>	<u>\$ 11,292,459</u>	<u>\$ 2,326,855</u>	<u>20.6%</u>
<b>LIABILITIES AND NET POSITION</b>				
Current Liabilities	\$ 1,432,325	\$ 195,504	\$ 1,236,821	632.6%
Long-term Liabilities	<u>380,631</u>	<u>314,962</u>	<u>65,669</u>	<u>20.8%</u>
Total Liabilities	<u>1,812,956</u>	<u>510,466</u>	<u>1,302,490</u>	<u>255.2%</u>
Investment in Capital Assets	11,877,176	10,763,877	1,113,299	10.3%
Unrestricted (Deficit)	<u>(70,818)</u>	<u>18,116</u>	<u>(88,934)</u>	<u>-490.9%</u>
Total Net Position	<u>11,806,358</u>	<u>10,781,993</u>	<u>1,024,365</u>	<u>9.5%</u>
Total Liabilities and Net Position	<u>\$ 13,619,314</u>	<u>\$ 11,292,459</u>	<u>\$ 2,326,855</u>	<u>20.6%</u>

**CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year.

Summaries of the Statements of Revenue, Expenses, and Changes in Net Position for the Airport Authority are detailed below in Table 2. Revenue for the Airport Authority is generated from monthly building and hanger rental, fuel sales and monthly allocations from both the City of Clarksville and Montgomery County. As shown in Table 2, the Airport Authority had operating revenues in the amount of \$648,844 and operating expenses of \$1,152,889 in 2015.

<b>Table 2</b>				
<b>Clarksville-Montgomery County Regional Airport Authority</b> <b>Condensed Statement of Revenues, Expenses</b> <b>And Changes in Net Position</b> <b>For The Years Ended June 30, 2015 and 2014</b>				
	<u><b>2015</b></u>	<u><b>2014</b></u>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Operating Revenue	\$ 648,844	\$ 653,018	\$ (4,174)	-0.6%
Operating Expense	<u>1,152,889</u>	<u>1,175,478</u>	<u>(22,589)</u>	<u>-1.9%</u>
Operating Income (Loss)	(504,045)	(522,460)	18,415	-3.5%
Nonoperating Income (Expense)	<u>-</u>	<u>(51)</u>	<u>51</u>	<u>-100.0%</u>
Income (Loss) Before Contributions	(504,045)	(522,511)	18,466	-3.5%
Contributions	<u>1,528,410</u>	<u>657,669</u>	<u>870,741</u>	<u>132.4%</u>
Change in Net Position	1,024,365	135,158	889,207	657.9%
Net Position - Beginning	<u>10,781,993</u>	<u>10,646,835</u>	<u>135,158</u>	<u>1.3%</u>
Net Position - Ending	<u>\$ 11,806,358</u>	<u>\$ 10,781,993</u>	<u>\$ 1,024,365</u>	<u>9.5%</u>

**CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. The reconciliation on page 11 is provided to assist in the understanding of the difference between cash flows from operating activities and operating income.

<b>Table 3</b>			
<b>Clarksville-Montgomery County Regional Airport Authority</b>			
<b>Condensed Statement of Cash Flows</b>			
<b>For the Years Ended June 30, 2015 and 2014</b>			
	<u><b>2015</b></u>	<u><b>2014</b></u>	
Cash Flows from Operating Activities	\$ 4,713	\$ (55,808)	
Cash Flows from Capital and Related Financing Activities	<u>1,234,336</u>	<u>236,578</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	1,239,049	180,770	
Cash and Cash Equivalents - Beginning	<u>274,407</u>	<u>93,637</u>	
Cash and Cash Equivalents - Ending	<u><u>\$ 1,513,456</u></u>	<u><u>\$ 274,407</u></u>	

Capital Assets

At June 30, 2015, the Authority had \$11,877,176, net of related depreciation, invested in capital assets. An Airport Improvement Project primarily funded by government grants has caused significant increases in the Authority's Buildings and Airport Facilities over the past three years.

<b>Table 4</b>				
<b>Clarksville-Montgomery County Regional Airport Authority</b>				
<b>Capital Assets</b>				
<b>June 30, 2015 and 2014</b>				
	<u><b>2015</b></u>	<u><b>2014</b></u>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Buildings and Airport Facilities	\$ 14,782,762	\$ 14,739,770	\$ 42,992	0.3%
Vehicles and Equipment	557,702	533,320	24,382	4.6%
Land and Land Improvements	1,669,669	1,669,669	-	0.0%
Construction in Progress	1,874,123	329,331	1,544,792	100.0%
Less: Accumulated Depreciation	<u>(7,007,080)</u>	<u>(6,508,213)</u>	<u>(498,867)</u>	<u>7.7%</u>
Net Capital Assets	<u><u>\$ 11,877,176</u></u>	<u><u>\$ 10,763,877</u></u>	<u><u>\$ 1,113,299</u></u>	<u><u>10.3%</u></u>



CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Other Information

The Notes to Financial Statements represent explanatory information to the various reports and specific details regarding additions and deletions from operations during the year. In addition, summary explanations are provided regarding various leases and notes payable of the Authority.

The Directory of Officials represents the members of the Clarksville-Montgomery County Regional Airport Authority as it existed as of June 30, 2015.

The Schedule of Expenditures of Federal and State Awards disclose various state and federal grants obtained during the year and their resulting account balances.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report, or need additional information, contact the Authority's office at 200 Airport Road, Clarksville, Tennessee 37042.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015

**ASSETS**

**CURRENT ASSETS**

Cash & Cash Equivalents	\$ 1,513,456
Accounts Receivable, Net of Allowance	9,799
Matching Funds on Deposit	163,652
Fuel Inventory	55,231
<b>Total Current Assets</b>	<u>1,742,138</u>

**CAPITAL ASSETS**

Non-depreciable Assets	3,543,792
Assets Net of Accumulated Depreciation	8,333,384
<b>Total Capital Assets</b>	<u>11,877,176</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 13,619,314</u></u>
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**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 51,135
Construction Payable	1,347,699
Accrued Payroll	14,241
Current Portion of Unearned Lease Revenue (Related Party)	19,250
<b>Total Current Liabilities</b>	<u>1,432,325</u>

**LONG-TERM LIABILITIES**

Unearned Lease Revenue - less Current Portion (Related Party)	380,631
<b>Total Long-Term Liabilities</b>	<u>380,631</u>
<b>TOTAL LIABILITIES</b>	<u>1,812,956</u>

**NET POSITION**

Investment in Capital Assets	11,877,176
Unrestricted (Deficit)	(70,818)
<b>TOTAL NET POSITION</b>	<u>11,806,358</u>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 13,619,314</u></u>
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CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

**OPERATING REVENUES**

City and County Funding	\$ 436,920
Lease Income:	
Terminal, Hangar and Farm Land	130,052
Other Airport Revenues	6,207
Fuel Sales - net (Jet Center)	75,665
<b>Total Operating Revenues</b>	<u>648,844</u>

**OPERATING EXPENSES**

Cleaning and Pest Control	7,985
Depreciation	498,868
Dues and Fees	2,418
Employee Benefits	1,715
Facilities Maintenance	42,101
Insurance	51,654
Miscellaneous	4,901
Office Supplies and Postage	35,828
Other Airport Services	40,583
Payroll Taxes	26,200
Professional Fees	38,232
Salaries and Personnel Services	336,770
Utilities	65,634
<b>Total Operating Expenses</b>	<u>1,152,889</u>

<b>OPERATING INCOME (LOSS)</b>	<u>(504,045)</u>
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<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>(504,045)</u>
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Contributions:	
State Grants	1,370,309
Federal Grants	112,351
Local Grants	45,750
<b>Total Contributions</b>	<u>1,528,410</u>

<b>CHANGE IN NET POSITION</b>	1,024,365
<b>NET POSITION - BEGINNING OF YEAR</b>	10,781,993
<b>NET POSITION - END OF YEAR</b>	<u>\$ 11,806,358</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers and Governments	\$ 770,876
Cash Paid to Employees	(335,124)
Cash Paid to Suppliers	(431,039)
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>4,713</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Grants	1,340,702
Local Capital Grants	45,750
Federal Capital Grants	112,351
Capital Asset Acquisitions	(264,467)
<b>Net Cash Provided by (Used In) Capital and Related Financing Activities</b>	<u>1,234,336</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

1,239,049

**CASH AND CASH EQUIVALENTS - BEGINNING**

274,407

**CASH AND CASH EQUIVALENTS - ENDING**

\$ 1,513,456

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (504,045)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	498,868
Changes in Current and Deferred Items:	
(Increase) Decrease in Accounts Receivables	141,237
(Increase) Decrease in Inventory	(1,264)
Increase (Decrease) in Accounts Payable	(112,524)
Increase (Decrease) in Accrued Expenses	1,646
Increase (Decrease) in Unearned Lease Revenue	(19,205)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 4,713</u>

**SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

Unearned Revenue	
Hanger Lease Revenue from constructed buildings (Note 6)	<u>\$ 19,205</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) relating to the accounts in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments in the United States of America.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Airport Authority, a joint venture of Montgomery County, TN and the City of Clarksville, TN, provides airport facilities to the Clarksville-Montgomery County area. The Clarksville City Council and the Montgomery County Commission each appoint two of the five members of the Airport Authority's governing board. All real properties of the Airport Authority are deeded to the Clarksville-Montgomery County Regional Airport Authority. These financial statements include only the assets, liabilities, operations and cash flows of the Airport Authority, and do not include any other fund, organization, agency or department of Montgomery County or the City of Clarksville.

B. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Airport Authority operations are accounted for on an economic resource measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Funding

The major sources of revenue are lease of facilities, operation subsidies, and grants as listed below:

(1) Lease of Facilities

The Airport Authority leases the airport facilities primarily to two other corporations. These leases are discussed further in Note 5.

(2) Operations Subsidies

The Airport Authority receives monthly funding for operating expenses from the City of Clarksville and Montgomery County, Tennessee.

(3) Grants

The Airport Authority receives federal, state, and local grants for maintenance of the airport, improvements and expansion projects. The future operations of the Airport Authority may be significantly impacted if a major reduction of funds by these supporting organizations should occur.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Capital Assets and Depreciation

Capital expenditures for airport equipment, vehicles, buildings and facilities are recorded at cost of acquisition. Some airport buildings have been constructed by the lessees in exchange for renewable leases of the buildings. These buildings have been recorded at the estimated construction cost of the lessee. Depreciation of buildings is recorded on a straight-line basis over an estimated life of 30-40 years. Airport runways, taxiways and aprons are depreciated on a straight-line basis over an estimated life of 12 or 20 years. A fire truck, airport lighting and fencing are depreciated on a straight-line basis over 15 or 20 years. Many renovation projects to the airport facilities have occurred over the past 40 years. At the time of the renovations, any remaining undepreciated cost of the facility was added to the renovation cost and a new estimated life assigned for future depreciation calculations. All assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are capitalized. Minor repairs and maintenance costs are charged to expense.

E. Cash and Cash Equivalents

Cash and cash equivalents include all cash in bank accounts and on hand. The Airport Authority considers all highly-liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

F. Restricted and Unrestricted Resources

When an expense is incurred for which both restricted and unrestricted resources are available, the Airport Authority first applies restricted resources to these expenses.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Operating Revenues and Expenses

Operating revenues and expenses of the Airport Authority are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Non-operating revenues and expenses are all items not included in operating revenues and expenses.

I. Compensated Absences

All vacation and sick time must be taken by December 31 in the year it accrues or it will be lost. Therefore no liability for accrued compensated absences existed as of June 30, 2015.

J. Concentrations of Credit Risk

Financial instruments that potentially subject the Airport Authority to significant concentrations of credit risk consist principally of cash and accounts receivable. With respect to accounts receivable, credit risk is dispersed across a small number of businesses and individuals which are geographically concentrated in Montgomery County and no collateral is required.

K. Inventory

The inventory consists of jet fuel. The jet fuel inventory is accounted for at the lower or cost or market using the moving average cost method.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

The Airport Authority maintains checking accounts for all idle funds. The Airport Authority is exposed to custodial credit risk by placing its deposits in financial institutions. The Airport Authority's policy is to mitigate the custodial credit risk by placing deposits in federally insured institutions collateralized by the State of Tennessee bank collateral pool. The Airport Authority follows the provisions of Tennessee Code Annotated 6-56-106. State statutes authorize the Authority to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government, (2) deposit accounts at state and federally chartered banks and savings and loan associations, and (3) the Local Government Investment Pool of the State of Tennessee.

At June 30, 2015, cash and cash equivalents included bank balances of \$1,513,869, which does not include any deposits in transit or outstanding checks. All of the Authority's cash and cash equivalents were insured by the FDIC or the State of Tennessee Collateral Pool. Both cash and cash equivalents are carried at cost which approximated fair value at June 30, 2015.

3. Receivables

As of June 30, 2015 receivables for the Airport Authority consisted primarily of amounts due from court ordered restitution and hanger rent. Receivables are presented net of any allowance for uncollectable accounts. The Authority maintains a high collectability rate for all rental and grant receivables.

The State of Tennessee authorized an investigation into alleged theft that occurred during the fiscal year ending June 30, 2010 and prior years. On September 16, 2011, the defendant of the investigated theft pled guilty and restitution of \$85,123 was ordered. As of June 30, 2015, \$249 has been received on the restitution with a remaining balance of \$84,874 classified as an account receivable. Due to the uncertainty of collection, an allowance of \$84,874 has been established.

Following is a schedule of receivables at June 30, 2015:

<u>Accounts Receivable</u>	
Rental	\$ 7,719
Fuel Sales	2,080
Restitution	84,874
Less: Allowance	(84,874)
Accounts Receivable, Net	<u>\$ 9,799</u>



**CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Capital Assets**

Depreciation expense for the year totaled \$498,868. Land and land improvements and construction in progress are not depreciated or amortized. No capital assets were idle or considered to be impaired.

A summary of changes in capital assets and accumulated depreciation follows:

	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Disposals / Transfers</b>	<b>Balance 6/30/2015</b>
Non-depreciable Assets				
Airport Land	\$ 1,669,669	\$ -	\$ -	\$ 1,669,669
Construction in Progress	329,331	1,546,642	(1,850)	1,874,123
Total Non-depreciable Assets	<u>1,999,000</u>	<u>1,546,642</u>	<u>(1,850)</u>	<u>3,543,792</u>
Capital Assets Depreciated:				
Buildings and Airport Facilities	14,739,770	48,360	1,850	14,789,980
Vehicles and Equipment	533,320	17,164	-	550,484
Total Capital Assets Depreciated	<u>15,273,090</u>	<u>65,524</u>	<u>1,850</u>	<u>15,340,464</u>
Total Capital Assets	<u>17,272,090</u>	<u>1,612,166</u>	<u>-</u>	<u>18,884,256</u>
Accumulated Depreciation:				
Buildings and Airport Facilities	6,224,026	428,442	-	6,652,468
Vehicles and Equipment	284,186	70,426	-	354,612
Total Accumulated Depreciation	<u>6,508,212</u>	<u>\$ 498,868</u>	<u>\$ -</u>	<u>7,007,080</u>
Total Airport Assets, Net of Depreciation	<u>\$ 10,763,878</u>			<u>\$ 11,877,176</u>

**5. Lease Contracts**

The Clarksville-Montgomery County Regional Airport Authority has entered into various lease contracts for the operation and maintenance of the airport facility as follows:

- A. On February 11, 2011, the Airport Authority entered a fixed base operator lease contract with Aircraft Maintenance Inc. for the use of hangar facilities and office space for commercial maintenance operation in Hangar 5 and Hangar 6 as well as two land leases which the FBO had constructed two hangars. Hangar 7 constructed at a cost of \$40,000 and Hangar 10 constructed at a cost of \$60,000 as defined by the respective leases. On August 15, 2015 the lease was terminated with the FBO on Hangars 5 & 6 through the process of eviction. Hangar rent for the year owed and collected for hangars 5 & 6 was \$4,796. The land lease for hangar 10 valued at \$1/year is considered paid in full with the term of this lease expiring on June 23rd, 2016 at which time the improvements on this property will automatically transfer ownership to the Clarksville-Montgomery County Regional Airport Authority (as to an agreement between the parties dated June 23, 1988). The land lease for Hangar 7 is currently valued at

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

5. Lease Contracts (Continued)

\$1/year and is considered paid in full to the term of the lease expiring May 18, 2022 (as per the lease agreement dated May 18, 1994). Hangar 7 lease does have a provision for the land lease value to be adjusted by the Airport Authority in May 2017 to "Market Price".

- B. Effective January 1, 2012 the Airport Authority entered into a lease contract with Gilliam Farms to grow corn, farm, tend and care for 90 acres of real estate adjoining the Airport. The rent for tract #1 is \$9,375 per year and for tract #2 is \$1,875 per year. The term of this lease expires December 31, 2017.
- C. Effective February 1, 2012, the Airport Authority entered into a lease contract with John E. Piper for certain unimproved land on the airport. The Lessee pays an annual rent of \$1,050 and has constructed a building on the land with an estimated cost of \$140,000. The lease will terminate on October 31, 2026, and the contract is subject to renewal for two additional periods of five years and seven years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- D. Effective May 28, 2008, the Airport Authority entered into a lease contract with CAMB, LLC, for certain unimproved land on the airport. The Lessee pays an annual rent of \$2,280, subject to changes in inflation every five years, and has constructed a building on the land with an estimated cost of \$400,000. The term of the contract is for 35 years after the occupancy date, ending on March 31, 2044, and the contract is subject to renewal for an additional period of five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- E. Effective September 1, 2008, the Airport Authority began leasing individual hangars in a newly-constructed 10-unit T hangar building with an estimated cost of \$651,937. All lease contracts are on a month-to-month basis for \$235 per month. As of June 30, 2015, there were ten current tenants.
- F. Effective March 1, 2011, the Airport Authority began leasing the hangars transferred from Robert O. Wyatt with an estimated cost of \$347,248. All lease contracts are on a month-to-month basis for \$165 per month. As of June 30, 2015, there were ten tenants.

The future cash flows from all lease contracts are expected to be as follows:

Year Ending June 30,	
2016	\$ 17,777
2017	14,580
2018	3,330
2019	3,330
2020	3,330
2021 and Beyond	<u>58,920</u>
Total	<u>\$ 101,267</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

6. Unearned Revenue

Unearned revenues represent future lease payments whereby the lessee has constructed a building for the Airport Authority in exchange for future use as explained under Lease Contracts in Note 5. Changes in unearned revenue for the current year were as follows:

Leases described in Note 5:	Beginning Balance	Revenue Recognized	Ending Balance
John E. Piper	\$ 79,088	\$ 7,776	\$ 71,312
CAMB, LLC	339,998	11,429	328,569
Total unearned lease revenue	<u>\$ 419,086</u>	<u>\$ 19,205</u>	399,881
Less: portion to be recognized as lease income next year			<u>19,250</u>
Long-term unearned lease revenue			<u>\$ 380,631</u>

7. Contributed Capital

Many of the capital construction or acquisition projects of the Airport Authority were funded substantially by government grants. Contributed capital has been estimated for some of these prior-year amounts.

8. Related Party Transactions

Mr. Charles Hand and Mr. Gary Mathews were appointed to the Airport Authority's board of commissioners in July 2007. Those individuals are members of CAMB, LLC, which leases land from the Airport Authority pursuant to an agreement dated May 28, 2008 (see Note 5 & Note 6).

9. Risk Management

The Airport Authority's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

A portion of the real estate occupied by the former mobile home park was purchased using government funding. If sold, reimbursement to certain grantor agencies will be required unless the income is reinvested in the Airport Authority.

10. Subsequent Events

Subsequent events have been evaluated through October 31, 2015, which is the date the financial statements were available to be issued.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
DIRECTORY OF OFFICIALS (UNAUDITED)  
JUNE 30, 2015

Board of Commissioners

Mr. Sammy Stuard	Chairman
Mr. Charlie Koon	Vice-Chairman
Mr. James Halford	Secretary/Treasurer
Mr. Gary Mathews	Authority Member
Mr. Charles Hand	Authority Member

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title	Tennessee Aeronautics Division Project Number	Grant Number Or Pass Through Grantor's Contract Number	Federal CFDA Number	Contribution	Accrued Receivable July 1, 2014	Receipts	Expenditures	Accrued Receivable June 30, 2015
<u>Tennessee Department of Transportation</u>								
Federal grants passed through the Tennessee Department of Transportation								
Overlay Primary Runway	63-555-0138-04	AERO-12-144-00	20.106	90/10	\$ -	\$ 99,024	\$ 99,024	\$ -
T-Hanger Project	63-555-0144-04	AERO-15-189-00	20.106	95/5	-	13,327	13,327	-
					-	112,351	112,351	-
State grants awarded by the Tennessee Department of Transportation								
T-Hanger Project	63-555-0754-04	AERO-15-189-00		95/5	-	20,463	20,463	-
Appraisal and Review RPZ 17	63-555-0746-04	AERO-15-207-00		95/5	-	4,038	4,038	-
Apron Rehabilitation	63-555-0740-04	AERO-13-140-00		95/5	117,808	1,443,816	1,326,008	-
Annual Maintenance FY 15	63-555-1505-04	AERM-15-105-00		100	-	19,800	19,800	-
					117,808	1,488,117	1,370,309	-
Total					\$ 117,808	\$ 1,600,468	\$ 1,482,660	\$ -

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards summarizes the expenditures under the programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the accrual basis of accounting.

2. Differences

Differences may occur due to the reporting of only the amounts from the federal agency/TDOT. Most projects require the Airport to send TDOT the 5%, 10%, 20%, or 50% matching portion prior to the beginning of the project and TDOT remit the full amounts of the invoices back to the Airport. Therefore, most reimbursements comprise a portion of the funds from TDOT and the remainder simply being a return of Airport funds previously sent to TDOT prior to the beginning of the project.



# THURMAN CAMPBELL GROUP, PLC

## CERTIFIED PUBLIC ACCOUNTANTS

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Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
Clarksville-Montgomery County Regional Airport Authority  
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, and have issued our report thereon dated October 31, 2015.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Thurman Campbell Group, PLC*

Clarksville, Tennessee  
October 31, 2015



CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
JUNE 30, 2015

There were no prior year findings reported.